

The proposed transaction consists of two distinct but immediately sequential parts. *First*, Verizon will undertake an internal reorganization consisting of the following *pro forma* transactions:<sup>13</sup>

- Verizon California Inc. (“Verizon California”) will assign its assets, liabilities, and customer relationships relating to its local exchange, intrastate toll, and exchange access operations in Arizona, Nevada, and certain portions of California near the Arizona and Nevada borders to New Communications of the Southwest Inc., a newly formed, wholly-owned subsidiary of Verizon California. Verizon will transfer the stock of New Communications of the Southwest Inc. to NCH. After this internal restructuring, Verizon California will remain a Verizon company, but will serve only California.
- Verizon South Inc. (“Verizon South”) will assign its assets, liabilities, and customer relationships relating to its local exchange, intrastate toll, and exchange access operations in North Carolina, South Carolina, and Illinois to New Communications of the Carolinas Inc., a newly formed, wholly-owned subsidiary of Verizon South. Verizon will transfer the stock of New Communications of the Carolinas Inc. to NCH. After this internal restructuring, Verizon South will remain a Verizon company, but will serve only Virginia.
- Verizon North Inc. (“Verizon North”) will assign assets, liabilities, and customer relationships relating to its local exchange, intrastate toll, and exchange access operations in Pennsylvania to Verizon North Retain Co., a Verizon entity to be formed and not owned by NCH.<sup>14</sup> These assets, liabilities, and customer relationships will not be transferred to Frontier. Verizon will then transfer the stock of Verizon North with its remaining assets, liabilities, and customer relationships relating to its local exchange, intrastate toll, and exchange access operations in Illinois, Indiana, Michigan, Ohio, and Wisconsin to NCH.
- Verizon will transfer the stock of Contel of the South, Inc. d/b/a Verizon Mid-States to NCH. Verizon Mid-States provides local exchange, intrastate toll, and exchange access in Indiana and Michigan.
- Verizon will transfer the stock of Verizon Northwest Inc., Verizon West Coast Inc., and Verizon West Virginia Inc. to NCH. Verizon Northwest provides local exchange, intrastate toll, and exchange access in Idaho, Oregon, and Washington.

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<sup>13</sup> The transactions described include the fundamental steps and end result of the internal reorganization, while omitting certain intermediate steps.

<sup>14</sup> Applications for this *pro forma* assignment of radio licenses and *pro forma* partial assignment of 214 authority will be submitted within 30 days of the completion of this restructuring, as permitted by the Commission's rules.

Verizon West Coast, which is a wholly-owned subsidiary of Verizon Northwest, provides local exchange, intrastate toll, and exchange access in exchanges in northern California. Verizon West Virginia provides local exchange, intrastate toll, and exchange access in West Virginia.

- Verizon Long Distance LLC and Verizon Enterprise Solutions LLC will each assign to New Communications Online and Long Distance Inc., a subsidiary of NCH, originating switched voice long distance customer relationships that use central office switching currently provided by Verizon in Arizona, portions of California, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia, and Wisconsin.<sup>15</sup>

All of the above transactions are internal to the Verizon family of companies and constitute *pro forma* transfers of control or assignments under the Commission's rules. 47 C.F.R. § 63.24(d).

*Second*, immediately following these *pro forma* transactions, NCH stock will be distributed to Verizon's shareholders, so that NCH and Verizon will be separate corporations, and then NCH will be merged with and into Frontier. Upon completion of the transaction, Frontier will continue as the surviving corporation under its existing name and corporate structure.<sup>16</sup> Frontier and its wholly-owned operating subsidiaries will own and control the assets, customer relationships, and operations transferred to Frontier through the transaction at issue here, as well as continue to own and control its current businesses. Current Frontier management will manage and control the day-to-day operations of Frontier and its operating subsidiaries, including the assets transferred to it through the transaction proposed here, as well as Frontier's current businesses. Frontier's

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<sup>15</sup> For example, Verizon will transfer all of its mass market and enterprise market interstate interexchange customers who originate calls over Verizon's local exchange network in these states. Verizon will retain all of its domestic mass market interstate interexchange customers who originate calls over a competitive carrier's local switching network. In addition, Verizon will retain all its enterprise special access service customers.

<sup>16</sup> Verizon shareholders will receive Frontier stock in exchange for their NCH stock.

Board of Directors will consist of twelve directors, with nine directors to be nominated by Frontier. Verizon has the right to name three directors to the Board of Directors. As of the closing of the transaction (and assuming no adjustments), the then-shareholders of Verizon will own approximately 68 percent of Frontier, and the then-shareholders of Frontier will own approximately 32 percent of Frontier.<sup>17</sup> Following the merger, no one person or entity is expected to hold 10 percent or more of Frontier's stock. None of the people Verizon names as a director of Frontier may be an employee of Verizon or its

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<sup>17</sup> Under Commission precedent, the transaction will not constitute a transfer of control of Frontier. See *Verizon-FairPoint Order*, 23 FCC Rcd 514, ¶ 8 & n.20 (noting that a reverse Morris trust transaction, in which 60 percent of the shares of the surviving corporation would be held by shareholders of the transferor, resulted in the transfer of control of only the transferor's operating subsidiaries where the surviving company would maintain day-to-day operational control and management). Pre-transaction Frontier and Verizon are, and post-transaction Frontier will be, widely held by public shareholders, none of whom is expected to own a greater than 10 percent stake in the post-transaction Frontier. In such circumstances, the Commission has found that no entity has *de jure* control, but *de facto* control rests with management and the board of directors. See *Domestic Section 214 Application Filed for Transfer of Control of Hector Communications Corporation to Blue Earth Valley Communications, Inc., Arvig Enterprises, Inc., and New Ulm Telecom, Inc.*, Public Notice, 21 FCC Rcd 10039 at n.1 (Sept. 5, 2006) ("Technically, the transferors in this proceeding are the approximately 400 public shareholders of Hector. However, given that no public shareholder owns more than 14.04% of the common stock of Hector or exercises *de jure* control over Hector, control is instead exercised by Hector's Board of Directors and its officers."); see also *Lockheed Martin Corporation/Regulus, LLC; Application for Authority to Purchase and Hold Shares of Stock in COMSAT Corporation*, Memorandum, Order and Authorization, 14 FCC Rcd 15816, ¶¶ 35, 41 (1999) ("[I]t is the Board – and not the shareholders – that is in actual control of policies and corporate affairs under relevant law."); *Metromedia, Inc.; For Consent to the Transfer of Corporate Control from John W. Kluge (De Facto Control) to John W. Kluge (De Jure Control)*, Memorandum Opinion and Order, 98 FCC 2d 300, ¶ 8 (1984). As noted previously, neither Frontier management nor control of the board is changing through the transaction. Accordingly, control of Frontier is not changing as a result of this transaction. This transaction is thus distinct from *Citadel/Disney*, where a single shareholder relinquished *de jure* but not *de facto* control as a result of a substantial portion of a company's stock changing hands. See *Applications of Citadel Broadcasting Company for Consent to Renewal and for Assignment of Licenses; and of Shareholders of Citadel Broadcasting Corporation and of the Walt Disney Co. for Consent to Transfers of Control*, Memorandum Opinion and Order and Notice of Apparent Liability, 22 FCC Rcd 7083, ¶¶ 53-55 (2007).

affiliates or Verizon Wireless or its subsidiaries. A corporate organizational chart depicting the proposed transaction is attached as Attachment A.

### **III. The Proposed Transaction Will Serve the Public Interest and Should Be Approved**

Sections 214(a) and 310(d) of the Act require that the Commission determine whether the proposed transfers of control and assignment of Commission licenses and authorizations are consistent with the public interest, convenience, and necessity.<sup>18</sup> The Commission has observed that transactions in which smaller carriers “that specialize in providing service in rural areas” acquire rural exchanges from larger incumbent carriers generally “d[o] not raise public interest issues” and “are unlikely to raise the potential of competitive harm.”<sup>19</sup> That will be true here. The transaction will generate public interest benefits in fourteen states, without countervailing harms.

The Commission considers four questions in making its public interest assessment: “(1) whether the transaction would result in the violation of the Act or any

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<sup>18</sup> See, e.g., *Applications for Consent to the Assignment and/or Transfer of Control of Licenses; Time Warner Inc.*, Memorandum Opinion and Order, 24 FCC Rcd 879, ¶ 10 (2009); *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, Memorandum Opinion and Order, 20 FCC Rcd 18290, ¶ 16 (2005); *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, Memorandum Opinion and Order, 20 FCC Rcd 18433, ¶ 16 (2005); *Applications of Nextel Communications, Inc. and Sprint Corporation; For Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 20 FCC Rcd 13967, ¶ 20 (2005); *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corporation For Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 19 FCC Rcd 21522, ¶ 40 (2004); *General Motors Corporation and Hughes Electronics Corporation, Transferors, and The News Corporation Limited, Transferee, for Authority to Transfer Control*, Memorandum Opinion and Order, 19 FCC Rcd 473, ¶ 15 (2004).

<sup>19</sup> See *Verizon/FairPoint Order* at ¶ 16; *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd 5517, ¶ 33 (2002).

other applicable statutory provision; (2) whether the transaction would result in a violation of Commission rules; (3) whether the transaction would substantially frustrate or impair the Commission's implementation or enforcement of the Act or interfere with the objectives of that and other statutes; and (4) whether the transaction promises to yield affirmative public interest benefits."<sup>20</sup> The first two prongs of this test are easily satisfied here: as the application and accompanying materials show, this transaction does not violate any provision of the Act or any Commission rule.

In assessing the latter two prongs, the FCC "considers whether [a proposed transaction] could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Communications Act or related statutes."<sup>21</sup> It then "employs a balancing test weighing any potential public interest harms of a proposed transaction against any potential public interest benefits to ensure that, on balance, the proposed transaction will serve the public interest."<sup>22</sup> Here, as the applicants

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<sup>20</sup> *SBC Communications Inc. and BellSouth Corp.*, Memorandum Opinion and Order, 15 FCC Rcd 25459, ¶ 13 (Wireless and Int'l Burs. 2000) (citation omitted); *Ameritech Corp. and SBC Communications Inc.*, Memorandum Opinion and Order, 14 FCC Rcd 14712, ¶ 48 (1999). *See also, e.g., AT&T and BellSouth Corporation Application for Transfer of Control*, 22 FCC Rcd 5662, ¶ 19 (2006).

<sup>21</sup> *See, e.g., Applications of Midwest Wireless Holdings, L.L.C. and ALLTEL Communications, Inc., For Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 21 FCC Rcd 11526, ¶ 16 (2006); *SBC-AT&T Order*, 20 FCC Rcd 18290, ¶ 16; *Verizon-MCI Order*, 20 FCC Rcd 18433, ¶ 16; *Sprint-Nextel Order*, 20 FCC Rcd 13967, ¶ 20.

<sup>22</sup> *See, e.g., ALLTEL-Midwest Order*, 21 FCC Rcd 11526, ¶ 16; *Applications of Nextel Partners, Inc. and Sprint Nextel Corporation; For Consent To Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 21 FCC Rcd 7358, ¶ 7 (2006); *SBC-AT&T Order*, 20 FCC Rcd 18290, ¶ 16; *Verizon-MCI Order*, 20 FCC Rcd 18433, ¶ 16; *Sprint-Nextel Order*, 20 FCC Rcd 13967, ¶ 20; *Applications of Western Wireless Corporation and ALLTEL Corporation; For Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 20 FCC Rcd 13053, ¶ 17 (2005); *Cingular-AT&T Wireless Order*, 19 FCC Rcd 21522, ¶ 40.

demonstrate below, the proposed transaction will yield ample public interest benefits and will not result in any competitive harms. Accordingly, the public interest balance weighs overwhelmingly in favor of granting consent to the proposed transaction.

**A. The Transaction Will Generate Substantial Public Benefit**

The proposed transaction will yield tangible, clear, and significant public interest benefits. First, the transaction will result in a transfer of 4.8 million lines that are predominantly in rural areas and smaller cities to a company whose business plan is focused on investing in and serving such areas and that has a proven track record of providing efficient service to its customers in these areas. That record includes over time having made broadband available to an average of 92 percent of its access lines in its service areas today, well above the 60 percent average achieved by Verizon in the communities to be acquired. This track record reflects Frontier's commitment to the deployment of broadband in rural areas and its core belief that such deployment is critical to its business model and its ability to retain customers. Second, by increasing its scale, deleveraging its balance sheet and decreasing its dividend payout, Frontier will emerge from this transaction as a stronger, more stable competitor with a financial structure and substantial cash flow that will enable it to make the planned investments, including in broadband, and to provide even more efficient service in these areas. The result will be a stronger carrier that will be able to provide better service to customers.

**1. The Transaction Will Transfer Lines Predominantly in Rural Areas and Smaller Cities to a Company With a Proven Track Record of Investing in and Successfully Serving These Types of Areas**

Frontier's predominant business focus is delivering high quality wireline services over its own networks in rural America and in smaller cities. Within Frontier, wireline

network investment in these areas will not be competing for capital and management attention with a diverse array of other delivery platforms, with global enterprise services, or with more urbanized markets. Rather, Frontier's business plan depends on investing in and providing efficient service to customers in rural areas and smaller cities, and it has implemented business practices, investment strategies, and customer service initiatives designed for customers in these service areas. Customers in the acquired areas will be a key strategic focus for Frontier and will benefit from Frontier's track record of successfully providing high-quality service in exchanges in rural areas and smaller cities.

One benefit customers will experience is improved broadband investment and penetration throughout the acquired areas. Today, the Verizon Subsidiaries offer broadband to an average of approximately 60 percent of the access lines in the acquired areas. Frontier has a proven record of achieving significantly higher broadband availability rates in its service areas, which are even more rural than the areas to be acquired from Verizon.<sup>23</sup> Over time, Frontier has expanded its broadband offerings to approximately 92 percent of the access lines it serves. Once this transaction is completed, Frontier's plan over time is to focus on and invest in broadband in the acquired areas so as to achieve levels of broadband availability and subscribership in these areas that more nearly approximate those achieved in Frontier's territories today.

From Frontier's business perspective, providing broadband service to the unserved or underserved customers in the acquired areas is a key driver of this transaction and presents a significant business growth opportunity. The provision of broadband service to more customers will be an important source of additional revenue and key to

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<sup>23</sup> The acquired territories average 35 access lines per square mile, as compared with 17 access lines per square mile in Frontier's existing territories.

reducing the average 10 percent yearly access line loss Verizon has recently been experiencing in these areas (significantly higher than the approximately 7 percent loss Frontier experienced in its service areas in 2008). The success of this transaction from the perspective of Frontier's shareholders depends in large measure on Frontier being able to increase broadband availability in the service areas it will acquire from Verizon.

The Commission has repeatedly stated that increasing the availability of broadband service is one of its most important goals. Indeed, Congress and the President have made clear that providing broadband to unserved and underserved customers is an important national objective because of its effects on economic development and job growth. That is all the more so in rural areas where, for example, broadband service can unlock distance learning and telemedicine for areas lacking universities and hospitals. This transaction will help achieve these public interest goals by bringing reliable terrestrial broadband service to substantial numbers of unserved or underserved customers within the acquired areas.

**2. The Transaction Will Increase Frontier's Financial Capacity to Make Network Investments in Rural Communities and Smaller Cities and Provide More Efficient and Cost-Effective Service**

The proposed transaction is structured to achieve Frontier's broadband investment and growth strategy while enhancing Frontier's ability to serve customers in all 27 states in which it will operate after the merger. This transaction will improve Frontier's overall financial flexibility and stability by *reducing* its debt leverage. After the transaction, Frontier's leverage will be decreased from 3.8 times EBITDA to approximately 2.6 times combined 2008 pro forma EBITDA, even without considering operating efficiencies.



Over time, as operating efficiencies are realized, Frontier's leverage could be reduced still further.<sup>24</sup>

To further increase its capacity to fund network investments, Frontier is reducing its dividend by 25 percent – from \$1.00 to \$0.75 per share – effective with the close of the transaction. That decreased dividend, along with increased cash flow, will enable Frontier to direct cash toward investment in broadband expansion and other network upgrades. That also means that Frontier's shareholders will be valuing Frontier for its growth potential resulting from investment.

The transaction thus will transform Frontier into a larger, more robust carrier with the financial capability to make the investments needed to increase broadband penetration and provide better service. When fully implemented, Frontier expects to yield annual operating expense savings of \$500 million. These efficiencies will stem primarily from two sources. First, the transaction will enable Frontier to consolidate various administrative functions and systems such as accounting and information systems, as well as to better integrate and merge network monitoring, customer care, and back office support systems. For example, although as described above Frontier will initially use separate instances of Verizon's OSS for 13 of the 14 states involved in this transaction so as to ensure a smooth transition, over time Frontier expects to migrate customers from those systems onto a single integrated platform, as Frontier has successfully done with its prior acquisitions. Second, Frontier will become the largest rural carrier serving predominantly rural and smaller city service areas, and its greater size and scale will

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<sup>24</sup> 2008 pro forma earnings plus anticipated synergies result in a net debt to EBITDA ratio of 2.2.

increase its purchasing power and enable it to obtain better pricing on capital expenditures.

Frontier has an established track record of achieving such synergies in prior transactions. The Commission has long recognized that these types of efficiencies are public interest benefits.<sup>25</sup> Here too the expected efficiencies will benefit customers and the public. The savings will further strengthen Frontier's ability to provide services to consumers in rural, high cost areas and smaller cities and add to Frontier's financial strength to support its broadband network investment plans.

#### **IV. The Proposed Transaction Will Not Reduce Competition or Harm Retail or Wholesale Customers**

The transaction will generate these public interest benefits without causing any countervailing harms. The transaction will neither reduce retail or wholesale competition, nor result in retail or wholesale customer billing or ordering problems or otherwise harm existing customers

##### **A. The Transaction Will Not Reduce Competition**

None of the local exchanges being acquired by Frontier from Verizon overlap with any of the local exchanges already served by Frontier. Frontier and Verizon do not currently compete for customers in any of the affected exchanges as Frontier operates

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<sup>25</sup> See e.g., *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, Memorandum Opinion and Order, 22 FCC Rcd 5664, ¶¶ 214-215 (2007) (crediting economies of scope and scale and cost synergies as public interest benefits); *Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd. for Authority to Transfer Control of Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 22, 63 and 90 of the Commission's Rules*, Memorandum Opinion and Order, 16 FCC Rcd 15293, ¶ 11 (2001) (citing "economic and operational efficiencies" as supporting a finding that transaction was in the public interest).

neither local exchange nor mobile facilities in these areas; therefore, the transaction will not reduce the number of competitors in any region.

**B. The Transaction Will Not Cause Any Disruption or Other Harm to Retail or Wholesale Customers**

Upon completing the transaction, existing retail and wholesale customers will continue to receive substantially the same services on the same terms and conditions under their existing contracts, agreements, and tariffs, and the transfer will be closely coordinated to ensure a smooth transition of billing and ordering systems. As a result, customers will not be harmed by the transaction.

*Honoring existing obligations.* Frontier proposes to assume or honor the rights and obligations of Verizon in each of the areas where lines are being acquired. With respect to retail customers, Frontier will continue to provide local exchange and domestic interstate and international interexchange telecommunications and information services after the closing of the transaction without any material reduction, impairment, or discontinuance of service to any customer. Frontier will honor existing tariffs and contracts to make the transition seamless for retail customers. This will ensure that the transaction will be largely transparent to current customers in these states, who generally will continue to receive substantially the same services on the same terms.

Wholesale arrangements will remain the same as a result of this transaction. Frontier will assume those interconnection agreements between Verizon and other carriers that relate to service wholly within these states. Interconnection agreements of Verizon relating in part to service outside of those states will need to be modified to apply to Frontier and the other party in the respective states only, or those agreements will be replicated by Frontier with respect to one or more of the affected states, following

discussion with and required notice to the affected parties. In the latter cases, however, Frontier stands ready to put in place new interconnection agreements on substantially the same terms and conditions, so as not to disrupt existing arrangements.

For both retail enterprise and wholesale customers with volume and term agreements, following the transaction the parties will adjust all revenue commitments and volume thresholds so that customers that maintain the volumes they currently purchase in acquired states and Verizon's remaining states, respectively, will continue to qualify for the same volume discounts in the respective areas. Frontier will reduce pro rata the volume commitments provided for in agreements to be assigned to or entered into by Frontier or tariffs to be concurred in and then adopted by Frontier, without any change in rates and charges or other terms and conditions, so that such volume pricing terms will in effect exclude volume requirements from states outside of the affected states. Verizon will do the same with respect to service it will continue providing outside of those regions. Both parties will amend their tariffs or satisfy other filing requirements and amend customer agreements as may be necessary to restate the applicable volume commitments. As a result, retail and wholesale customers will receive the same benefits in the aggregate following the transaction as those provided pursuant to the existing Verizon volume discount arrangement.

*Continuity of operating systems.* With the proposed transaction, Verizon and Frontier have in place a plan for smooth transition of OSS systems and operations so that neither retail nor wholesale customers will experience disruptions in service, ordering, or billing. Frontier has a strong track record of successfully integrating acquisitions, including over 750,000 lines previously acquired from Verizon/GTE between 1993 and

2000. Frontier already has demonstrated its capability of integrating acquired operations by consolidating five billing systems in the last five years.

For the proposed transaction, in thirteen of the fourteen states, separate instances of Verizon's current systems for both retail and wholesale will be transferred to Frontier at close instead of a flash cut to a new system at close. In addition, wholesale customers – including competitors – in these states will not have to process orders in a different manner or have their existing OSS arrangements disrupted. In these states, to further ensure a smooth transition, Verizon will continue to provide system support for not less than a year after close, and Frontier may elect to continue to take some or all of the support from Verizon after the first year. In West Virginia, the transaction will involve a transition to Frontier's existing systems at closing. As noted above, Frontier has successfully converted customers in other transactions on to those systems. A Verizon transition team will work with Frontier in the coming months so that Frontier can ensure customer accounts, billing information, and other assets from the operations will be successfully transferred to Frontier and that the transition is seamless for customers and employees. These systems will be subject to substantial testing prior to cutover at close, so that the transition can function smoothly.

*No reduction in wireline video operations and fulfillment of service availability requirements.* Frontier is also acquiring Verizon's broadband (FiOS) business in Oregon, Washington, Indiana, and South Carolina, including its existing video business in Oregon, Washington, and Indiana.<sup>26</sup> Frontier will continue to provide video services in

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<sup>26</sup> The FiOS system in South Carolina does not provide video service.

affected areas after the completion of the merger. Frontier will honor Verizon's existing service availability requirements in Oregon and Washington.

*Job creation and preservation.* While not a regulatory issue, the parties also note that the proposed transaction will serve the public interest by promoting job preservation and creation. Frontier and Verizon will provide a smooth transition for the Verizon employees who primarily support the local phone business and who will shift to Frontier. Verizon will fund pensions for employees moving to Frontier, and Verizon will remain responsible for people who retire from the transferred areas before closing. Frontier will honor the union labor agreements in the acquired states and expects to work constructively with union leaders. In addition, Frontier will operate a regional operations headquarters in Charleston, West Virginia, creating and preserving jobs in what will become Frontier's largest service area.

## **V. Administrative Matters**

In addition to seeking the Commission's approval of the assignments and transfer of control of the licenses and authorizations covered in these applications, the Applicants also request approval for the additional authorizations described below.

### **A. Request For Approval Of Additional Authorizations**

The list of call signs and file numbers referenced in each application is intended to be complete and to include all of the licenses and authorizations held by the respective licensees that are subject to the transaction. The Verizon Subsidiaries, however, may now have on file, and may hereafter file, additional requests for authorizations for new or modified facilities related to the assets to be transferred to Frontier, which may be granted before the Commission takes action on these applications. Accordingly, the

Applicants request that any Commission approval of the applications filed for this transaction include authority for Frontier to acquire control of, with respect to the exchanges involved in the transaction:

1. Any license or authorization issued to the Verizon Subsidiaries during the Commission's consideration of the applications and the period required for consummation of the transaction following approval;
2. Any construction permits held by the Verizon Subsidiaries that mature into licenses after closing; and
3. Applications that are filed after the date of these applications and that are pending at the time of consummation.

Such authorization would be consistent with Commission precedent.<sup>27</sup> Moreover, the parties request that the Commission's approval of the applications include any facilities that may have been inadvertently omitted.

#### **B. Exemption from Cut-Off Rules**

Pursuant to Sections 1.927(h), 1.929(a)(2) and 1.933(b) of the Commission's Rules,<sup>28</sup> to the extent necessary,<sup>29</sup> the parties request a blanket exemption from any

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<sup>27</sup> See *Cingular Order*, 19 FCC Rcd. 21522, ¶ 275; *Application of WorldCom, Inc., and MCI Communications Corp. for Transfer of Control of MCI Communications Corp. to WorldCom, Inc.*, Memorandum Opinion and Order, 13 FCC Rcd 18025, ¶ 226 (1998); *Applications of NYNEX Corp., Transferor, and Bell Atlantic Corp., Transferee, for Consent to Transfer Control of NYNEX Corp. and Its Subsidiaries*, Memorandum Opinion and Order, 12 FCC Rcd 19985, ¶ 247 (1997); *Applications of Craig O. McCaw and AT&T for Consent to Transfer of Control of McCaw Cellular Communications, Inc. and Its Subsidiaries*, Memorandum Opinion and Order, 9 FCC Rcd 5836, ¶ 137 n.300 (1994) ("*McCaw/AT&T Order*").

<sup>28</sup> 47 C.F.R. §§ 1.927(h), 1.929(a)(2), and 1.933(b).

<sup>29</sup> With respect to cut-off rules under Sections 1.927(h) and 1.929(a)(2), the Commission has previously found that the public notice announcing the transaction will provide adequate notice to the public with respect to the licenses involved, including for any license modifications pending. In such cases, it determined that a blanket exemption of the cut-off rules was unnecessary. See *Applications of Ameritech Corp. and GTE Consumer Services Inc.*, Memorandum Opinion and Order, 15 FCC Rcd 6667, ¶ 2 n.6 (1999); *In re Applications of Comcast Cellular Holdings, Co. and SBC Communications*,

applicable cut-off rules in cases where Frontier files amendments to pending applications to reflect consummation of the proposed transfer of control. This exemption is requested so that amendments to pending applications to report the change in ultimate ownership of these licenses would not be treated as major amendments. The scope of the transaction demonstrates that the ownership change would not be made for the acquisition of any particular pending application, but as part of a larger transaction undertaken for an independent and legitimate business purpose. Grant of such application would be consistent with previous Commission decisions routinely granting a blanket exemption in cases involving similar transactions.<sup>30</sup>

### **C. Trafficking**

To the extent any authorizations for unconstructed systems are covered by this transaction, these authorizations are merely incidental, with no separate payment being made for any individual authorization or facility. Accordingly, there is no reason to review the transaction for trafficking.<sup>31</sup>

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*Inc.*, Memorandum Opinion and Order, 14 FCC Rcd 10604, ¶ 2 n.3 (1999).

<sup>30</sup> See, e.g., *Applications of NYNEX Corporation and Bell Atlantic Corporation For Consent to Transfer Control of NYNEX Corporation*, Memorandum Opinion and Order, 12 FCC Rcd 20092, ¶ 234; *Applications of PacifiCorp Holdings, Inc. and Century Telephone Enterprises, Inc. For Consent to Transfer Control of Pacific Telecom, Inc.*, Memorandum Opinion and Order, 13 FCC Rcd 8891, ¶ 47 (1997); *McCaw/AT&T Order*, 9 FCC Rcd 5836, ¶ 137 n.300.

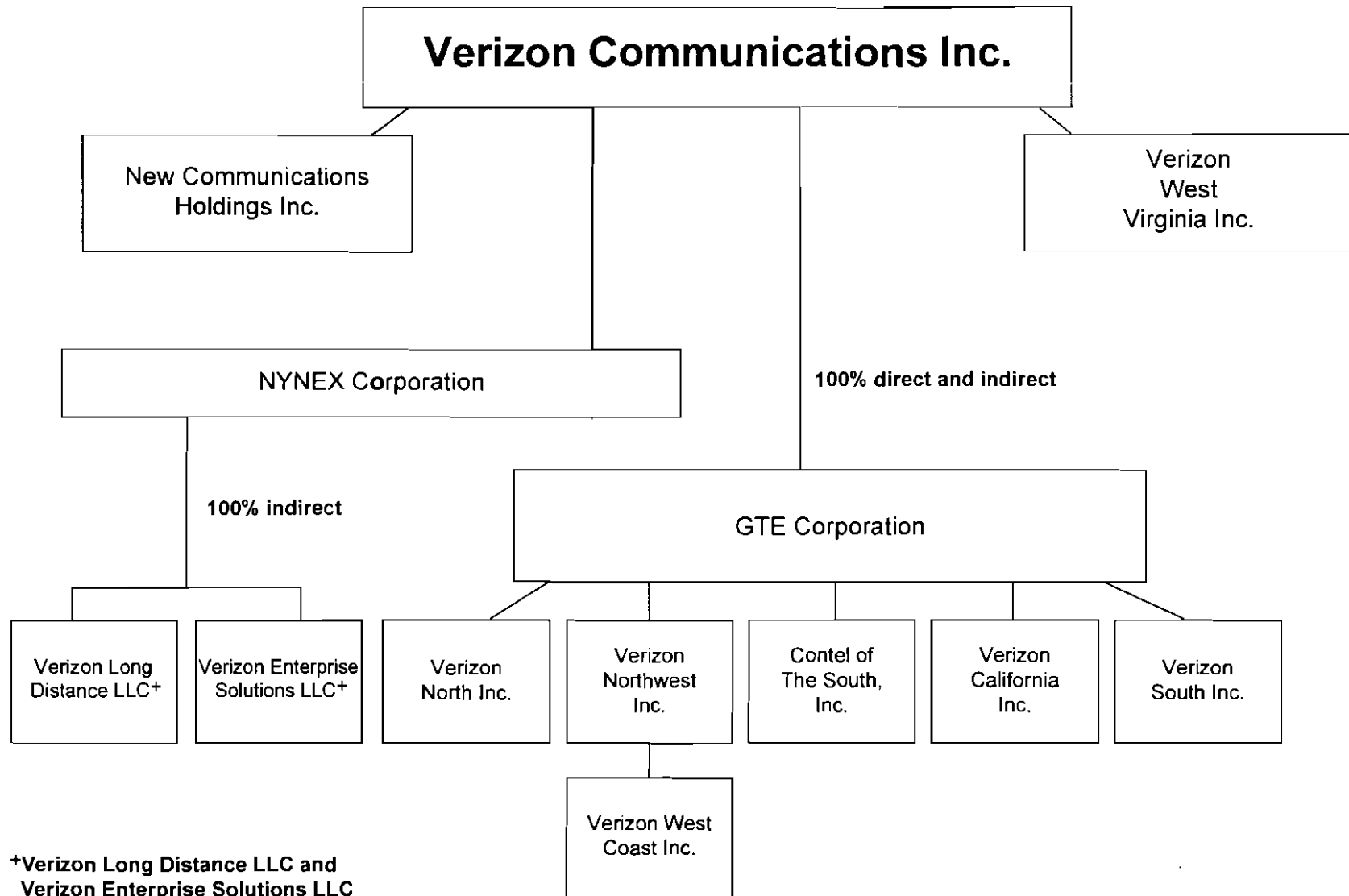
<sup>31</sup> See 47 C.F.R. § 1.948(i) (noting that the Commission *may* request additional information regarding trafficking if it appears that a transaction involves unconstructed authorizations that were obtained for the principal purpose of speculation); *id.* §§ 101.55(c)-(d) (permitting transfers of unconstructed microwave facilities that are “incidental to a sale of other facilities or merger of interests”).



## **CONCLUSION**

Accordingly, for the reasons set forth herein, the Applicants respectfully submit that the grant of these applications will serve the public interest, convenience, and necessity, and thus warrant favorable and expedited Commission action.

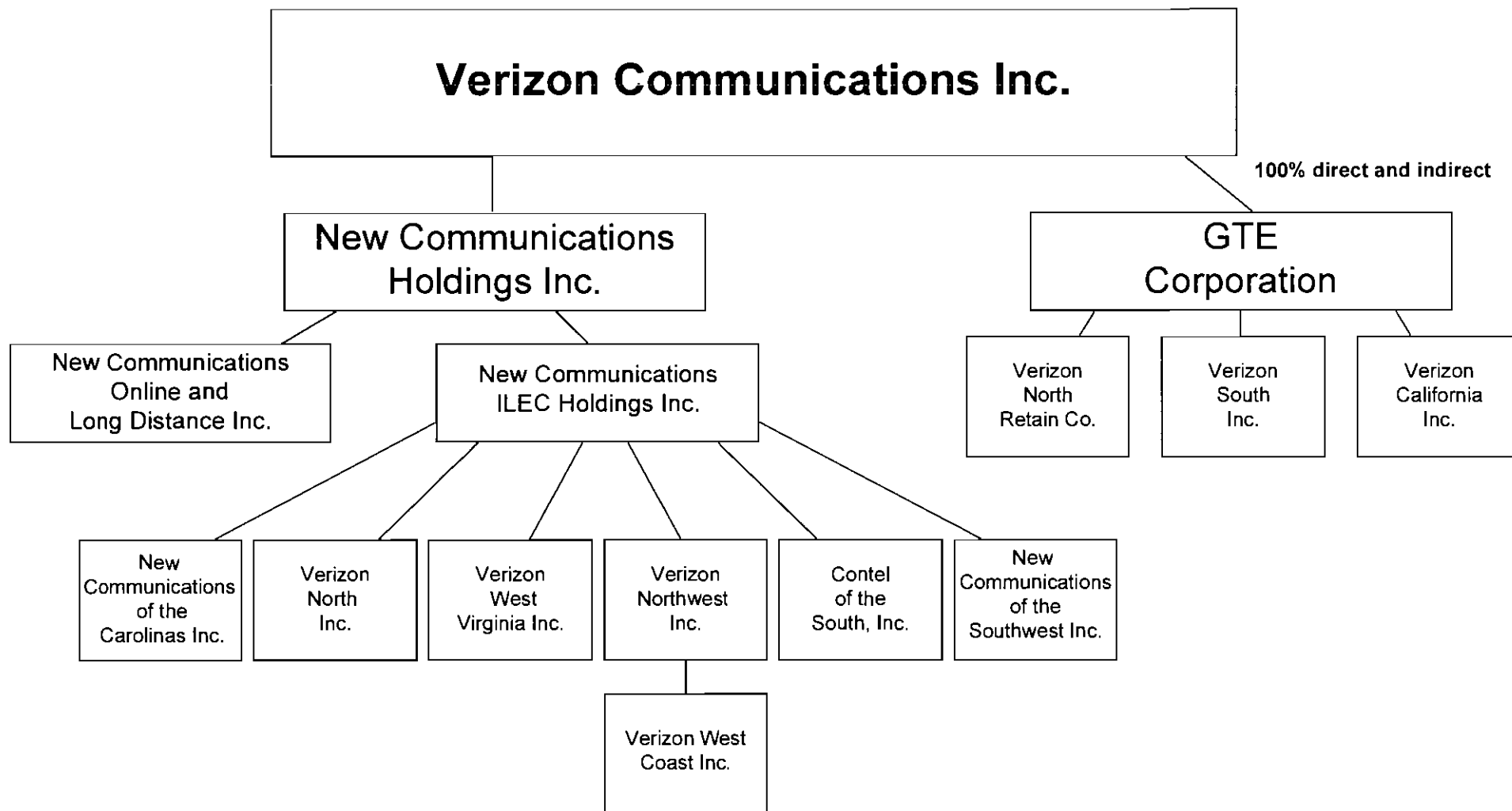
# Current Verizon Structure



**\*Verizon Long Distance LLC and Verizon Enterprise Solutions LLC are only assigning some customer relationships.**

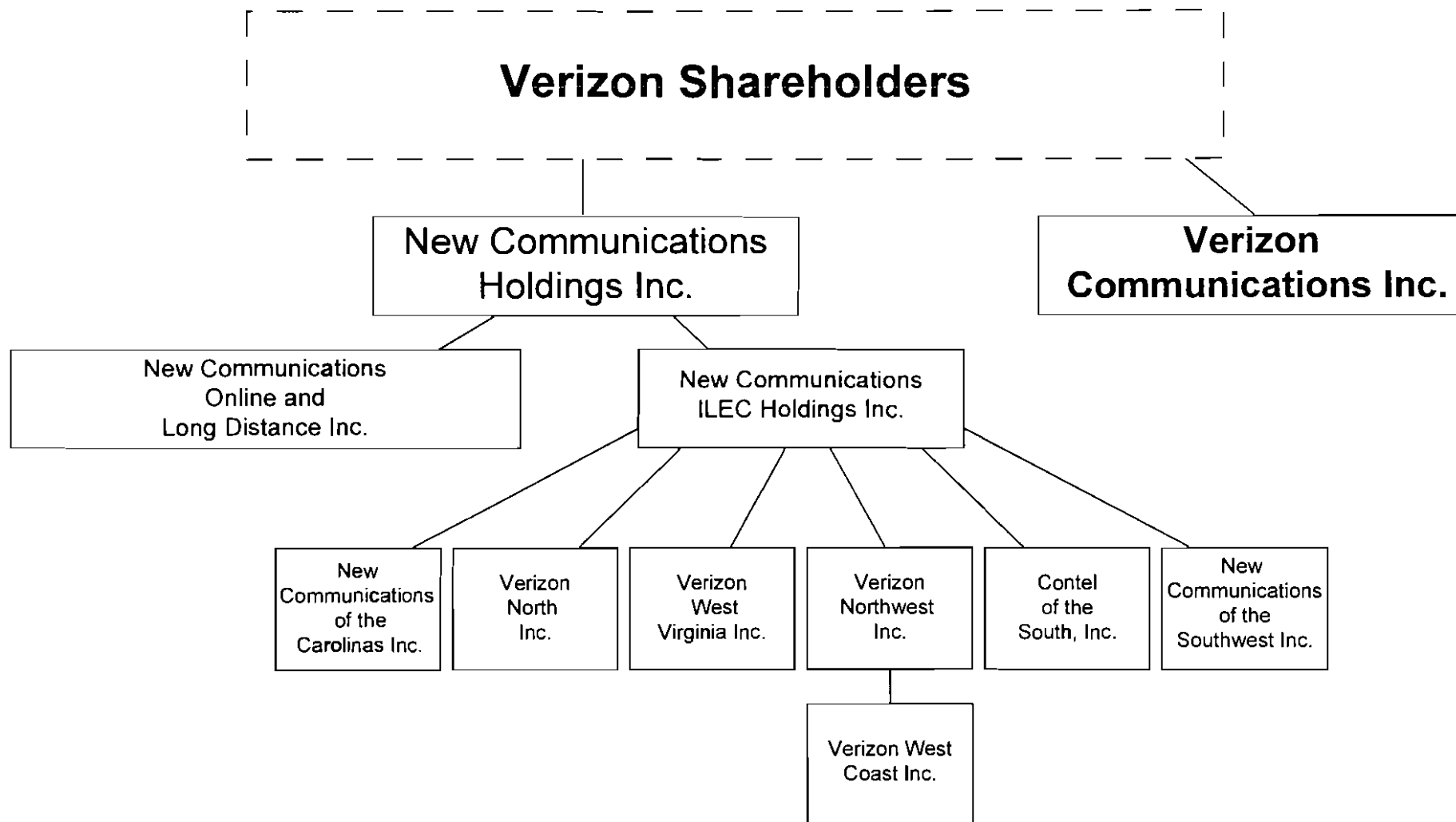
**\*All interests are direct 100% interests unless otherwise indicated.**

# Verizon Structure After Internal Reorganization



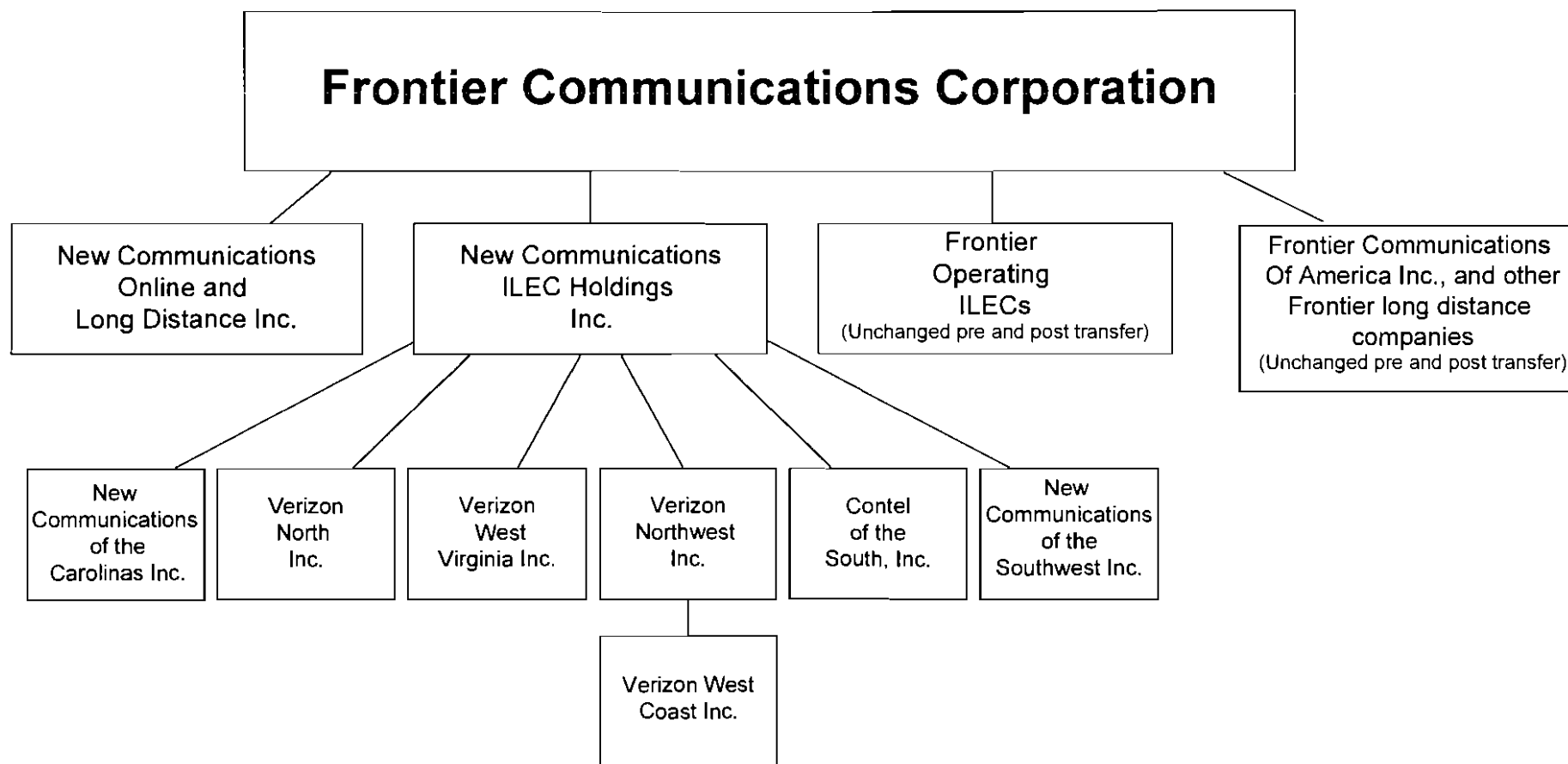
\*All interests are direct 100%  
Interests unless otherwise indicated.

# Spin-off to Verizon Shareowners

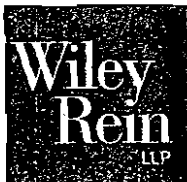


\*All interests are direct 100%  
Interests unless otherwise indicated.

# Frontier Structure After Transaction



\*All interests are direct 100%  
Interests unless otherwise indicated.



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Federal Communications Commission  
Wireline Competition Bureau Applications  
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**Re: Application of Verizon California Inc. and New Communications of the Southwest Inc. for Consent to Partially Assign Domestic Section 214 Authority**

Dear Sir/Madam:

Enclosed please find a completed Form 159 with a payment in the amount of \$1,015.00 in satisfaction of the required filing fee associated with an application to partially assign the domestic Section 214 authorization of Verizon California Inc. ("Verizon California") to New Communications of the Southwest Inc. ("New Communications of the Southwest"). Pursuant to Section 63.04 of the Commission's rules, on May 28, 2009, Verizon California and New Communications of the Southwest filed electronically a joint domestic and international Section 214 application through the International Bureau Filing System ("IBFS"). A copy of this filing is attached.

Please stamp and return the extra copy in the enclosed, self-addressed envelope. Should you have any questions concerning this filing, please contact the undersigned.

Sincerely,

Nancy J. Victory  
*Counsel for Verizon*

Enclosures

READ INSTRUCTIONS CAREFULLY  
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION  
REMITTANCE ADVICE

Approved by OMB  
3060-0589  
Page 1 of 1

(1) LOCKBOX #  979091		<b>US BANK/FCC MAY 29 2009</b>		SPECIAL USE ONLY	
				FCC USE ONLY	
<b>SECTION A - PAYER INFORMATION</b>					
(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card) Wiley Rein LLP			(3) TOTAL AMOUNT PAID (U.S. Dollars and cents) 1,015.00		
(4) STREET ADDRESS LINE NO. 1 1776 K Street, NW					
(5) STREET ADDRESS LINE NO. 2					
(6) CITY Washington			(7) STATE DC	(8) ZIP CODE 20006	
(9) DAYTIME TELEPHONE NUMBER (include area code) 202-719-7000			(10) COUNTRY CODE (if not in U.S.A.)		
<b>FCC REGISTRATION NUMBER (FRN) REQUIRED</b>					
(11) PAYER (FRN) 0002151744			(12) FCC USE ONLY		
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C) COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET					
(13) APPLICANT NAME Verizon California Inc.					
(14) STREET ADDRESS LINE NO. 1 1300 I St., NW					
(15) STREET ADDRESS LINE NO. 2 Room 400W					
(16) CITY Washington			(17) STATE DC	(18) ZIP CODE 20005	
(19) DAYTIME TELEPHONE NUMBER (include area code) 703-351-3193			(20) COUNTRY CODE (if not in U.S.A.)		
<b>FCC REGISTRATION NUMBER (FRN) REQUIRED</b>					
(21) APPLICANT (FRN) 0001536424			(22) FCC USE ONLY		
<b>COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET</b>					
(23A) CALL SIGN/OTHER ID Domestic Section 214		(24A) PAYMENT TYPE CODE CUT		(25A) QUANTITY 1	
(26A) FEE DUE FOR (PTC) 1,015.00		(27A) TOTAL FEE 1,015.00		FCC USE ONLY	
(28A) FCC CODE 1		(29A) FCC CODE 2			
(23B) CALL SIGN/OTHER ID		(24B) PAYMENT TYPE CODE		(25B) QUANTITY	
(26B) FEE DUE FOR (PTC)		(27B) TOTAL FEE		FCC USE ONLY	
(28B) FCC CODE 1		(29B) FCC CODE 2			
<b>SECTION D - CERTIFICATION</b>					
<b>CERTIFICATION STATEMENT</b> I, _____, certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief. SIGNATURE _____ DATE _____					
<b>SECTION E - CREDIT CARD PAYMENT INFORMATION</b>					
MASTERCARD _____ VISA _____ AMEX _____ DISCOVER _____					
ACCOUNT NUMBER _____			EXPIRATION DATE _____		
I hereby authorize the FCC to charge my credit card for the service(s) authorization herein described.					
SIGNATURE _____			DATE _____		

SEE PUBLIC BURDEN ON REVERSE

FCC FORM 159

FEBRUARY 2003 (REVISED)

**INTERNATIONAL SECTION 214 AUTHORIZATIONS  
FOR ASSIGNMENT OR  
TRANSFER OF CONTROL  
FCC FORM 214TC  
FOR OFFICIAL USE ONLY**

**APPLICANT INFORMATION**

Enter a description of this application to identify it on the main menu:

Application for Partial Assignment of Verizon California Inc. Interests to New Communications of the Southwest Inc.

**1. Legal Name of Applicant**

Name:	Verizon California Inc.	Phone Number:	703-351-3193
DBA Name:		Fax Number:	703-351-3662
Street:	1300 I ST., NW Room 400 W	E-Mail:	karen.zacharia@verizon.com
City:	Washington	State:	DC
Country:	USA	Zipcode:	20005 -
Attention:	Karen Zacharia		

**2. Name of Contact Representative**

Name:	Nancy J. Victory	Phone Number:	202-719-7344
Company:	Wiley Rein LLP	Fax Number:	202-719-7049
Street:	1776 K Street, NW	E-Mail:	nvictory@wileyrein.com
City:	Washington	State:	DC
Country:	USA	Zipcode:	20006-
Attention:	Nancy J. Victory	Relationship:	Legal Counsel

**CLASSIFICATION OF FILING**

**3. Choose the button next to the classification that best describes this filing. Choose only one.**

☒ a. Assignment of Section 214 Authority

An Assignment of an authorization is a transaction in which the authorization, or a portion of it, is assigned from one entity to another. Following an assignment, the authorization will usually be held by an entity other than the one to which it was originally granted. (See Section 63.24(b).)

☐ b. Transfer of Control of Section 214 Authority

A Transfer of Control is a transaction in which the authorization remains held by the same entity, but there is a change in the entity or entities that control the authorization holder. (See Section 63.24(c).)

☐ c. Notification of Pro Forma Assignment of Section 214 Authority ( No fee required )

☐ d. Notification of Pro Forma Transfer of Control of Section 214 Authority ( No fee required )

Date of Consummation: **Must be completed if you select c or d.**

**4. File Number(s) of Section 214 Authority(ies) for Which You Seek Consent to Assign or Transfer Control.**

Note: If the Section 214 Authorization Holder whose authority is being assigned or transferred does not have an "ITC" File No. under which it is operating, contact the Help Desk for assistance before proceeding further with this application. You cannot enter an "ITC-ASG" or "ITC-T/C" File No. in response to this question. Your response must specify one or more "ITC" File Nos. Relevant "ITC-ASG" or "ITC-T/C" File Nos. should be listed only in Attachment 1 in response to Question 10.

File Number:	File Number:	File Number:	File Number:	File Number:	File Number:	File Number:	File Number:
ITC2142008021900063							

**5. Name of Section 214 Authorization Holder**

Phone



Name:	Verizon California Inc.	Number:	703-351-3193
DBA Name:		Fax Number:	703-351-3662
Street:	1300 I ST., NW Room 400 W	E-Mail:	karen.zacharia@verizon.com
City:	Washington	State:	DC
Country:	USA	Zipcode:	20005 -
Attention:	Karen Zacharia		

6. Name of Assignor / Transferor

Name:	Verizon California Inc.	Phone Number:	703-351-3193
DBA Name:		Fax Number:	703-351-3662
Street:	1300 I ST., NW Room 400 W	E-Mail:	karen.zacharia@verizon.com
City:	Washington	State:	DC
Country:	USA	Zipcode:	20005 -
Attention:	Karen Zacharia		

7. Name of Assignee / Transferee

Name:	New Communications of the Southwest Inc	Phone Number:	585-777-5645
DBA Name:		Fax Number:	
Street:	1800 41st	E-Mail:	Ken.Mason@frontiercorp.com
City:	Everett	State:	WA
Country:	USA	Zipcode:	98201 -
Attention:	Kenneth F. Mason		

8a. Is a fee submitted with this application?

☒ If Yes, complete and attach FCC Form 159.

If No, indicate reason for fee exemption (see 47 C.F.R. Section 1.1114).

☐ Governmental Entity ☐ Noncommercial educational licensee ☐ Notification of Pro Forma (No fee required.)  
☐ Other (please explain):

8b. You must file a separate application for each legal entity that holds one or more Section 214 authorizations to be assigned or transferred.  
Fee Classification CUT - Section 214 Authority

9. Description (Summarize the nature of the application.)

This application seeks FCC consent for the partial assignment of certain assets, liabilities and customer relationships related to the provision of international services from Verizon California Inc. to New Communications of the Southwest Inc., as owned and controlled by Frontier Communications Corporation. Verizon California Inc. will retain its Section 214 authorization after the closing and by this application does not seek to assign it.

10. In Attachment 1, please respond to paragraphs (c) and (d) of Section 63.18 with respect to the assignor/transferor and the assignee/transferee. Label your response "Answer to Question 10".

11. Does any entity, directly or indirectly, own at least ten (10) percent of the equity of the assignee/transferee as determined by successive multiplication in the manner specified in the note to Section 63.18(h) of the rules? ☒ Yes ☐ No

If you answered "Yes" to this question, provide in Attachment 1, the name, address, citizenship, and principal businesses of each person or entity that directly or indirectly owns at least ten (10) percent of the equity of the assignee/transferee, and the percentage of equity owned by each of those persons or entities (to the nearest one percent). Label your response "Answer to Question 11."

12. Does the assignee/transferee have any interlocking directorates with a foreign carrier? ☐ Yes ☒ No

If you answered "Yes" to this question, identify each interlocking officer/director in Attachment 1. (See Section 63.09(g).) Provide the name and position/title of the individual or entity, the name of the foreign carrier, and the